



**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR,  
ON SENATE BILL NO. 159, SENATE DRAFT 1,  
RELATING TO THE REPEAL OF NON-GENERAL FUNDS**

**House Committee on Finance**

March 19, 2015

Chair Luke and Members of the Committee:

I am Jan Yamane, Acting State Auditor. Thank you for the opportunity to testify in partial support of Senate Bill No. 159, Senate Draft 1 (SB 159, SD 1), which would, among other purposes, repeal various non-general funds and accounts and lapse the unencumbered balances to the general fund. We also offer comments on specific sections of this bill.

Over the last several years, we have reported on our reviews of revolving and trust funds and trust accounts for the following departments:

- Report No. 10-09 (JUD, DCCA, HHL, DHS)

In addition, we have also reported on our reviews of special, revolving, and trust funds and trust accounts for the following departments:

- Report No. 14-01 (DAGS, AGR, and B&F);
- Report No. 14-13 (AG and DBEDT); and
- Report No. 14-18 (UH).

Our funds reviews evaluate the original intent and purpose of each fund, including the degree to which each fund continues to serve its intended purpose. We also evaluate whether each fund meets statutory criteria for its respective fund type (i.e., special, revolving, or trust). We do not conclude about the effectiveness of programs and their management; however, for special and revolving funds, we conclude on the need for the fund based on the purpose and scope of the program it supports. This bill would implement many of our report recommendations.

**Funds that *do not meet* criteria would be repealed by SB 159, SD 1**

We support repealing funds in DBEDT and UH that *do not meet* criteria:

1. **Statewide Geospatial Information and Data Integration Special Fund**  
(Section 6) established under §225M-7, HRS. We recommended repeal; DBEDT agreed (Report No. 14-13).
2. **Career and Technical Training Projects Revolving Fund** (Section 10) established under §304A-2268, HRS. We recommended repeal; UH deferred to the Legislature (Report No. 14-18).
3. **University of Hawai‘i Alumni Special Fund** (Section 12) established under §304A-2175, HRS. We recommended repeal; UH deferred to the Legislature (Report No. 14-18).
4. **Animal Research Farm, Waiale‘e O‘ahu Special Fund** (Section 14) established under §304A-2177, HRS. We recommended repeal; UH deferred to the Legislature (Report No. 14-18).
5. **Fee Simple Residential Revolving Fund** (Section 24) established under §516-55, HRS. We recommended repeal, DBEDT agreed (Report No. 14-13).

**Funds that *do not meet* criteria would be abolished by SB 159, SD 1**

Section 25 of the bill abolishes administratively created funds and trust accounts in DAGS and AGR that *do not meet* criteria.

1. **Donations for Voter Registration Drive;**
2. **Hawai'i FYI-ICSD;**
3. **Parking Control Revolving Fund Escrow Account;**
4. **Returned ACH Tax Refunds;**
5. **HDOA Biocontrol Foreign Exploration Special Fund; and**
6. **Hawai'i EUTF Self-Directed Investments.**

**Funds that *meet* criteria would be repealed by SB 159, SD 1**

Section 3 of this bill would repeal the **Captain Cook Memorial Fund** established under §6E-33, HRS. We generally support the Legislature decreasing the high number of special and revolving funds. However, in Report No. 14-01, we noted that this trust fund *meets* criteria and continues to serve the purpose for which it was originally created. Financial activity exists but is not shown due to rounding.

Section 19 would repeal the **Blind Shop Revolving and Handicraft Fund** established in the Department of Human Services under §347-12, HRS. In Report No. 10-09, we noted the revolving fund is self-sustaining and meets the criteria of a revolving fund.

Section 25 would abolish the **Commission on Fatherhood** trust account administratively established in the Department of Human Services. In Report No. 10-09, we noted the trust account is self-sustaining and meets the criteria of a trust account.

**We have little to no information on funds repealed in Parts III and VII of the bill**

While we support the intent of Parts III and VII of this bill, we have little to no information on the following funds:

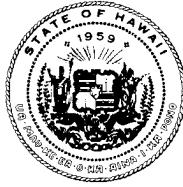
1. **Food Distribution Revolving Fund** (Section 8) established in the Department of Education under §302A-1315, HRS. The last time we reviewed this fund in 2011

(Report No. 11-04, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Office of the Governor, Office of the Lieutenant Governor, Department of Education and Hawai'i Public Library System, and Office of Hawaiian Affairs*), we were unable to conclude whether the fund meets applicable criteria as the fund had not yet been implemented. If there has been no financial activity in the fund to date, then it is not serving the purpose for which it was originally created and its repeal is appropriate.

2. **Public Health Nursing Services Special Fund** (Section 17) established in the Department of Health under §321-432, HRS.

Thank you for this opportunity to testify in partial support of SB 159, SD 1, and to offer comments. I am available to answer any questions you may have.

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
Honolulu, Hawaii 96813  
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of  
**Craig K. Hirai**  
Hawaii Housing Finance and Development Corporation  
Before the

**HOUSE COMMITTEE ON FINANCE**

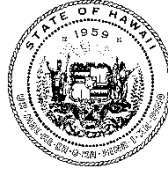
March 19, 2015 at 2:00 p.m.  
State Capitol, Room 308

In consideration of  
**S.B. 159, S.D. 1**  
**RELATING TO THE REPEAL OF NON-GENERAL FUNDS.**

The HHFDC **supports** Part IX of S.B. 159, S.D. 1. We defer to the appropriate department or agency with respect to the remainder of the bill.

The HHFDC concurred with the Legislative Auditor's findings that the Fee Simple Residential Revolving Fund is no longer serving the purpose for which it was created. Accordingly, we have no objections to the repeal of this Fund.

Thank you for the opportunity to testify.



**STATE OF HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY  
OF  
DOUGLAS MURDOCK, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE  
HOUSE COMMITTEE  
ON  
FINANCE  
ON  
MARCH 19, 2015

S.B. 159, S.D. 1

RELATING TO THE REPEAL OF NON-GENERAL FUNDS

Chair Luke and members of the Committee, thank you for the opportunity to submit written testimony on S.B. 159, S.D. 1. The Department of Accounting and General Services (DAGS) supports S.B. 159, S.D. 1.

S.B. 159, S.D. 1 repeals, in part, the Captain Cook Memorial Fund and four other accounts also administered by DAGS which the Auditor had reported “no longer serves original purpose” in the “Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Department of Accounting and General Services, Agriculture, and Budget and Finance” issued January 2014. Those four accounts are as follows:

1. Donations for Voter Registration Drive Trust Account
2. Hawaii FYI-ICSD Trust Account
3. Parking Control Revolving Fund Escrow Account
4. Returned ACH Tax Refunds Trust Account

Thank you for the opportunity to submit written testimony on this matter.

DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

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MARIA E. ZIELINSKI  
DIRECTOR OF TAXATION

To: The Honorable Sylvia Luke, Chair  
and Members of the House Committee on Finance

Date: Thursday, March 19, 2015

Time: 2:00 P.M.

Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 159, S.D. 1, Relating to the Repeal of Non-General Funds

S.B. 159, S.D. 1, proposes to repeal certain non-general funds, including the returned ACH tax refund trust account as set forth in section 25 of this bill. The Department supports the repeal of this trust account as it is no longer used.

Since 2012, with the collaboration of the Department of Accounting and General Services, the Department now handles all returned tax refunds directly; therefore, the returned ACH tax refund trust account is no longer necessary.

Thank you for the opportunity to provide comments.

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NOS. 159, S.D. 1 AND 1092, S.D. 1

March 19, 2015

RELATING TO THE REPEAL OF NON-GENERAL FUNDS

Senate Bill No. 159, S.D. 1, and Senate Bill No. 1092, S.D. 1, repeals several unused or inactive non-general fund accounts with low balances or no activity in recent years.

Senate Bill No. 159, S.D. 1, also abolishes various administratively established trust accounts. The funds being repealed in the bill are as follows:

- Captain Cook Memorial Fund, Sections 6E-4, 6E-33, HRS
- Statewide Geospatial Information and Data Integration Special Fund, Sections 225M-6, 225M-7, HRS
- Food Distribution Program Revolving Fund, Section 302A-1315, HRS
- Career and Technical Training Projects Revolving Fund, Section 304A-2268, HRS
- University of Hawaii Alumni Special Fund, Section 304A-2175, HRS
- Animal Research Farm, Waialeale, Oahu Special Fund, Section 304A-2177, HRS
- Public Health Nursing Services Special Fund, Chapter 321, Part XXXV, HRS, and Section 321-432, HRS
- Blind Shop Revolving and Handicraft Fund, Section 347-12, HRS



- Fee Simple Residential Revolving Fund, Sections 201H-211, 516-5, 516-44, 516-45, HRS
- Donations for Voter Registration Drive Trust, Hawaii FYI-ICSD Trust Account, Parking Control Revolving Fund Escrow Account, Returned ACH Tax Refunds Trust Account, HDOA Biocontrol Foreign Exploration Special Fund, Hawaii EUTF Self-Directed Investments Trust Account and an account controlled by the State Commission on Fatherhood

Senate Bill No. 1092, S.D. 1, repeals the following two non-general fund accounts:

- Pineapple Workers and Retirees Housing Assistance Fund, Section 201H-85, HRS
- Transportation Use Special Fund, Sections 261D-1, 261D-3, 261D-4, 261-5, 36-30(a), HRS

The Department of Budget and Finance supports the intent of both bills, which combined are similar to the Administration bill, Senate Bill No. 1092.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Repeal of special funds

BILL NUMBER: SB 159, SD-1

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Implements the state auditor's recommendation to repeal various special funds.

BRIEF SUMMARY: Repeals the following:

Captain Cook memorial fund (HRS section 6E-33)  
Statewide geospatial information and data integration special fund (HRS section 225M-7)  
Food distribution program revolving fund (320A-1315)  
Career and technical training projects revolving fund; UH of Hilo (HRS section 304A-2268)  
University of Hawaii alumni special fund (HRS section 304A-2175)  
Animal research farm, Waialeale, Oahu special fund (HRS section 304A-2177)  
Public health nursing services special fund (HRS section 321-432)  
Blind shop revolving and handicraft fund (HRS section 347-12)  
Fee simple residential revolving fund (HRS section 516-44)

Abolishes the following:

- (1) The donations for voter registration drive trust account established in 1984 and administered by the department of accounting and general services;
- (2) The Hawaii FYI - ICSD trust account administratively established in 1996 and administered by the department of accounting and general services;
- (3) The parking control revolving fund escrow account administered by the department of accounting and general services;
- (4) The returned ACH tax refunds trust account administratively established in 2004 and administered by the department of accounting and general services;
- (5) The HDOA biocontrol foreign exploration special fund created in 2010 and administered by the department of agriculture;
- (6) The Hawaii EUTF self-directed investments trust account created in 2007 and administered by the department of budget and finance; and
- (7) An account controlled by the state commission on fatherhood.

EFFECTIVE DATE: July 1, 2015

STAFF COMMENTS: This measure implements the state auditor's recommendation in the recently released auditor's reports that reviewed the special funds, revolving funds, trust funds, and trust accounts of the various state departments.

The 1989 Tax Review Commission noted that use of special fund financing is a "departure from Hawaii's sound fiscal policies and should be avoided." It also noted that special funds are appropriate where the revenues to the funds maintain some direct connection between a public service and the beneficiary of that service. The Commission found that special funds which merely set aside general funds cannot be justified as such actions restrict budget flexibility, create inefficiencies, and lessen accountability. It recommended that such programs can be given priority under the normal budget process without having to resort to this type of financing.

Seconding the Commission's harsh criticism was the State Auditor's report issued in February of 1991 that recognized that the "tax is levied on the general public rather than specific beneficiaries of the program," and thus the fund did not reflect a "direct link between user benefits and user charges."

As a result of the recent spotlight of monies in special funds, the legislature by Act 130, SLH 2013, requires the State Auditor to review all existing special, revolving, and trust funds beginning in 2014 and every five years which assists in making government finances more transparent.

Digested 3/18/15